U4110-1
2/9/89 A

PENNSTATE

College of Business Administration

Published since 1938

Pennsylvania Business Survey

January 1989

DESPITE FLUCTUATIONS, CONDITIONS IMPROVE...

some slowing still in the forecast

While the specifics may change from month-to-month, general economic trends in Pennsylvania remain relatively unchanged. Specifically, **overall trends suggest that the economy's health is intact, but a fairly strong case may be made suggesting that economic growth is in the process of slowing in the Commonwealth.** Recent volatility in several of the series monitored in the *PBS* tends to back up such a contention.

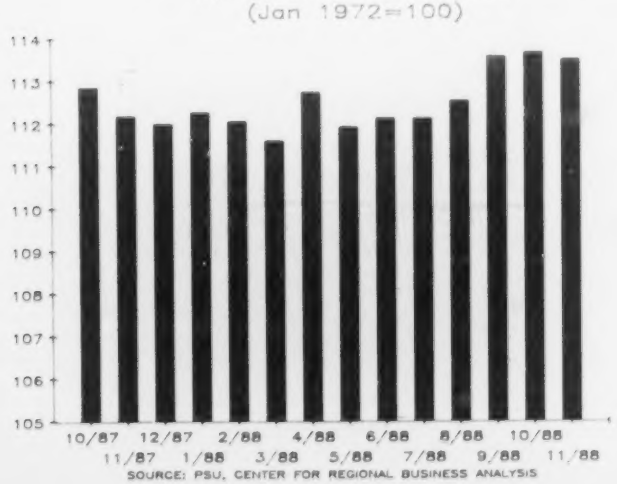
This volatility is evident in recent data pertaining to the employment/unemployment situation of Pennsylvania residents. **November brought with it a seasonally adjusted employment gain of 71,000 in the Commonwealth as a whole. This comes on the heels of declines of 106,000 in October and 26,000 in September. In August, employment rose by 93,000.** Not surprisingly, this volatile employment situation has resulted in similar behavior with respect to joblessness. For instance, November's seasonally adjusted 0.9 percentage point drop in the unemployment rate to 4.6 percent and August's 0.8 percentage point decline were sandwiched around a fair amount of upward pressure on the jobless picture in September and October.

In that 1988 will surely bring with it a new record with respect to the number of residents holding jobs in Pennsylvania, it is apparent that the positives have outweighed the negatives. On the other hand, the fact that trends, especially during the summer and fall months, have been fluctuating considerably does suggest that further improvement, although likely, is far from certain.

Such a murky overview and outlook is backed up by recent trends in two broad measures of the Pennsylvania economy's current and expected future health: the indices of coincident and leading indicators. The coincident index only partially offset two consecutive months of decline with a minimal gain in November. Of perhaps more importance is the fact that the index has stood below year-ago readings in each of the past two months, suggesting that **the economy has emerged from a rather robust first half of the year in essentially a holding pattern.** The leading index suggests that such a conclusion is likely to hold over the near-term as recent trends point to little change in the future.

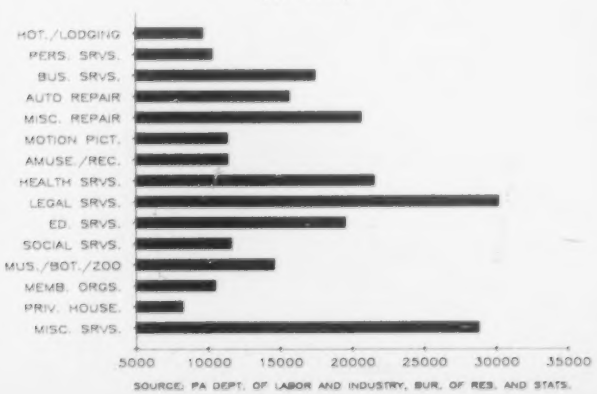
Looking at the job situation on an industry-by-industry basis, the service sector continues to provide the bulk of all new jobs in the Commonwealth. Through the first 11 months of 1988, these establishments accounted for 63,600 of the 112,700 new nonmanufacturing jobs in Pennsylvania. At a seasonally adjusted 1.36 million in November, these establishments continued operating with a record number of workers on payroll. In the past an attempt has been made in the *Pennsylvania Business Survey* to play-down the "wage debate" concerning the tradeoff, in terms of wages, between the jobs gained in the service industries and the jobs lost in the manufacturing industries. As the accompanying chart

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

1987 AVE. ANN. WAGES IN THE THE PA SERVICE INDUSTRIES
(dollars)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

shows, there is a good deal of disparity among individual service industries with respect to average annual wages. For instance, workers (at least those covered by unemployment compensation laws) in private households and in hotels and lodging establishments earned less than $10,000 in 1987. Those employed in the personal services industries earned just over $10,000 in 1987. On the opposite end of the spectrum, legal services industries payed more than $30,000, on average, in 1987.

Furthermore, **the Commonwealth does not appear to have an exceptionally large concentration of jobs in those service industries offering less-than-average wages** (see table). In fact, the largest industry, health services, which accounts for more than one-third of all service jobs, paid wages which averaged nearly $21,600 per worker in 1987, well above the average of $18,475 for all service establishments. At $17,500 in 1987, the second largest industry, business services, paid just slightly less than the average, while the third largest, educational services, which accounts for nearly 9 percent of all service jobs, paid wages which averaged $1,100 more than the average. Clearly, not all service jobs correspond to the over-used stereotype of a "dead-end" job.

On a related note, the November issue of the *PBS* suggested that there may be a similar misconception with respect to Pennsylvania's designation as a high-wage State. The ac-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,117*	5,120	5,019	5,072*	5,071	4,970	111.1*	111.1	108.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,058*	4,061	3,963	4,017*	4,017	3,919	124.6*	124.6	121.6
Mining	30	30	31	30	30	31	61.4*	61.9	64.4
Contract construction	256	250	235	241	243	228	131.1*	131.8	123.7
Transportation	145	145	145	141	142	142	87.6	88.0	88.1
Public Utilities	105	105	105	105	105	105	104.1	104.0	104.2
Wholesale trade	270	270	265	269	270	265	121.5	121.8	119.4
Retail trade	888*	898	888	879*	879	869	122.6*	122.5	121.1
Finance, insurance & real estate	298	297	292	298*	298	293	137.1*	137.1	134.8
Service & miscellaneous	1,364*	1,359	1,298	1,355*	1,358	1,296	157.1*	157.4	150.3
Federal government	142*	142	143	144	143	144	112.1*	111.6	112.2
State & local government	561*	566	561	554*	554	549	95.0*	95.0	94.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,057*	1,055	1,054	1,055	1,053	1,051	78.6*	78.5	78.4
Durable goods	605	605	600	605	605	600	74.8	74.7	74.0
Nondurable goods	452*	450	453	450*	448	451	84.5*	84.2	84.8
Ave. wkly. hrs. worked by prod. workers	41.3	41.7	41.5	41.4	41.3	41.1	104.7	104.5	104.0
Total wkly. person-hours worked (mils.)	29.9	30.2	29.7	29.8	29.8	29.4	77.7*	77.7	76.6
Total wkly. payroll (mil. dols.)	310.2*	314.7	302.4	310.2*	310.0	297.8	138.0*	138.0	132.6
Average hourly earnings (dollars)	10.37	10.43	10.16	10.40	10.40	10.13	177.8*	177.8	173.1
Average weekly earnings (dollars)	428.28	434.93	421.64	430.43	429.35	416.25	186.1*	185.6	179.9
Steel production (thous. tons)	1,187	1,073	1,102	n.a.	n.a.	n.a.	59.1	56.3	57.6
Industrial electric power sales (mil. kwh)	3,863	3,753	3,730	3,757	3,889	3,814	101.7	105.3	103.3
Mining									
Anthracite coal (thous. net tons)	384*	307	331	337*	277	311	68.9	56.7	63.6
Bituminous coal (thous. net tons)	7,555*	7,415	6,031	7,198*	7,628	6,313	102.1	108.1	89.5
Construction contracts awarded (mil. dols.)									
Total	755.3	717.2	740.8*	739.1	779.0	798.2*	229.7	242.1	248.1*
Residential building	386.4	371.1	284.9*	365.9	468.4	355.4*	260.0	332.8	252.5*
Nonresidential building	247.2	259.6	273.7*	213.8	217.3	242.3*	197.0	200.3	223.3*
Nonbuilding (utilities and public works)	121.8	86.5	181.7*	159.4	93.3	200.5*	220.0	128.7	276.6*
Retail Sales (mil. dols.)	6,486	n.a.	6,302†	6,490	n.a.	6,308†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,478	5,491	5,425	5,395	5,465	5,393	112.3	113.7	112.2
Unemployed									
No. of persons (thous.)	292	248	300	312	262	314	77.8	65.4	78.3
Rate (percentage of labor force)	5.1	4.3	5.2						
Rate, seasonally adjusted				5.5	4.6	5.5			
Civilian labor force, no. of persons (thous.)	5,770	5,739	5,724	5,707	5,727	5,706	109.6	110.0	109.6
Initial claims for unemployment benefits	63,887	81,982	85,736	69,479	79,507	85,051	48.5	55.5	59.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	Oct.	*Nov.*	*Nov.*		
U.S. city average	120.2	120.3	115.4	+0.1	+4.2
Philadelphia	124.6	125.3	118.6	+0.6	+5.6
Pittsburgh	116.3	n.a.	112.8†	n.a.	+3.1

[1] Total includes workers on strike. * = figure revised † = figure for October 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1987 job shares in the PA service industries (percent of all service jobs)

Hotels/lodging	4.5
Personal services	4.4
Business services	18.7
Auto repair	3.1
Misc. repair services	1.2
Motion pictures	0.5
Amusement/recreation	3.5
Health services	35.8
Legal services	3.1
Educational services	8.7
Social services	7.0
Mus[illegible]s/botan./zoo	0.2
Membership orgs.	3.8
Private households	0.5
Miscellaneous	5.1

Source: PA Dept. of Labor and Industry, Bur. of Res. and Stats.

companying table expands upon this observation in examining 1987 average annual pay data for the Commonwealth's 15 metropolitan areas. Only Philadelphia's $22,447 exceeded the average for the 317 metro areas throughout the nation. Furthermore, only Philadelphia, along with Pittsburgh, had average annual pay levels in 1987 which exceeded the average for all of Pennsylvania. Each of the remaining 13 areas had pay levels which failed to match the $20,408 for the entire Commonwealth. At the least, it appears that generalizations for Pennsylvania may be dangerous. A thorough analysis of the data is required.

In addition to the service industries, Pennsylvania's retailers have also generated a significant number of new jobs through the first 11 months of 1988, though the number of positions on payroll was essentially unchanged from October in November after normal seasonal trends are eliminated. Specifically, they have accounted for 16,600 new positions for the year as a whole. As the accompanying chart shows, durable goods continue to lead the way with respect to retail sales, just as they have throughout the recovery. Through the first 10 months of 1988, total retail sales were up 7 percent on an annual basis in the Commonwealth, fueled by a rise of 12.6 percent on the durables side, more than three

1987 average annual pay by PA metropolitan area

	1987 ave. ann. pay	Pct. of PA	86-87 pct. chg.
Allentown-Bethlehem	$20,042	98.2	5.2
Altoona	16,274	79.7	3.1
Beaver County	19,741	96.7	1.6
Erie	19,260	94.4	3.0
Harrisburg-Lebanon-Carlisle	19,599	96.0	4.2
Johnstown	16,880	82.7	3.4
Lancaster	18,910	92.7	6.1
Philadelphia	22,447	110.0	6.3
Pittsburgh	21,019	103.0	4.1
Reading	19,979	97.9	5.3
Scranton-Wilkes-Barre	16,866	82.6	5.9
Sharon	17,653	86.5	4.2
State College	18,279	89.6	5.8
Williamsport	17,666	86.6	4.1
York	18,741	91.8	5.4

Source: U.S. Dept. of Labor, Bur. of Labor Statistics

times as great as nondurables' 4 percent advance. **It appears that 1988 trends in retail trade fall pretty much in line with those from the previous few years.**

Another strong performance on the jobs front continues to be turned in by the construction industry where the number of payroll positions rose a seasonally adjusted 2,000 in November to another record high (243,000). For the year as a whole, approximately 13,600 new jobs have been generated by these establishments. As pointed out in the past, however, **information on contract awards suggests that activity may be slowing, especially in the nonresidential and nonbuilding categories. Additionally, information on housing permit authorizations also points to some slowdown in activity in the residential sector.**

All told, the job gains recorded in November by the service and construction industries just barely offset minimal declines in several other industries as total nonmanufacturing job levels increased minimally. In fact, **there are some signs that nonmanufacturing job growth is in the process of slowing.** For instance, job growth averaged 2.9 percent in the second and third quarters after a 3.2 percent gain in the first. During October and November, growth came in at 2.6 percent compared to year-ago levels. Such a slowdown in growth is likely for much of the economy, not just in nonmanufacturing, as we proceed through 1989, though it must be stressed that growth should remain positive.

On the factory side, some fairly impressive numbers have been posted in 1988, despite a slight seasonally adjusted job loss in November. **For the year, more than 10,000 new jobs have been added by Pennsylvania manufacturers, the strongest showing since 1984.**

The accompanying table illustrates the reversal which has occurred lately in manufacturing, at least with respect to job growth. A recent U.S. Bureau of Labor Statistics report identified five durable goods and four nondurable goods industries which accounted for the bulk of all factory job losses in Pennsylvania during the first several years of the decade. For instance, 86 percent of the 1979-1983 decline of 231,800 jobs in durable goods is accounted for by primary metals, fabricated metals, nonelectrical machinery, electronic equipment, and transportation equipment. On the nondurable goods side, apparel, textiles, food products, and rubber and plastics accounted for the lion's share of the more than 59,000 jobs lost between 1979 and 1983. Declines during the recession

years early in the decade ranged anywhere from 9.2 percent in food products to 41 percent in primary metals. Performances improved in all but the apparel industry over the 1983-1987 period and four of the nine actually added workers during that time frame. Further gains were recorded in 1988 as five of the nine "declining" industries added workers, including the much-maligned primary metals.

Such a turnaround is also apparent in other measures of manufacturing's health. Previous issues of the *Survey* have stressed the fact that **production indicators are up and at their highest levels in several years. Average workweeks remain at or near record highs on a monthly basis. Earnings, whether measured on an hourly or weekly basis, despite some minor fluctuations, are also on an upward path. However, it is questionable as to whether or not these gains are keeping pace with price advances.**

— *William D. Anderson*

PA job growth in selected manufacturing industries (percent)

	1979-1983	1983-1987	1987-1988
Durables			
Prim. metals	-41.0	-27.2	5.5
Fab. metals	-26.1	5.2	1.6
Nonelec. mach.	-22.6	- 5.6	4.5
Elec. eq.	-19.7	- 7.9	-1.4
Trans. eq.	-32.8	4.3	-1.5
Nondurables			
Apparel	-12.2	-23.6	-5.5
Textiles	-24.4	-12.6	-1.2
Food prods.	- 9.2	0.7	0.6
Rubber/plastics	-20.6	20.8	4.6

Source: U.S. Dept. of Labor;
PA Dept. of Labor and Industry

PENNSYLVANIA BUSINESS SURVEY

January 1989 Vol. 30, No. 1

Published monthly by the Division of Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $7.00 a year. (ISSN 0031-4382)

J.D. Hammond, Acting Dean of the College
Paul H. Rigby, Associate Dean and Director of the Division of Research
Rodney A. Erickson, Director of the Center for Regional Business Analysis and Associate Director of the Division of Research
William D. Anderson, Assistant Director of the Center for Regional Business Analysis
Doris J. Bickle, Staff Assistant
Mary Jane Corman, Subscription Coordinator

The content of this publication is not copyrighted and may be reproduced freely, but acknowledgment of source will be appreciated.

The Pennsylvania State University, in compliance with federal and state laws, is committed to the policy that all persons shall have equal access to programs, admission, and employment without regard to race, religion, sex, national origin, handicap, age, or status as a disabled or Vietnam-era veteran. Direct all affirmative action inquiries to the Affirmative Action Officer, Suzanne Brooks, 201 Willard Building, University Park, PA 16802; (814) 863-0471.

U.Ed. 89-273

PENNSYLVANIA BUSINESS SURVEY
Division of Research of the
College of Business Administration
The Pennsylvania State University
University Park, PA 16802

ADDRESS CORRECTION REQUESTED

Nonprofit Org.
U.S. Postage
PAID
The Pennsylvania
State University

* 018-01-03331
* DEPARTMENT SRI
ES CONGRESSIONAL INFO SERVICES
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814